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Chavez Plays Up Repsol's Major Natural Gas Find

1.(U) Venezuelan President Hugo Chavez played up Repsol's major natural gas discovery off the coast of Venezuela during his one-day trip to Spain on September 11 (ref A). The deposit, estimated at 7 to 8 trillion cubic feet, could convert Venezuela into the fourth- or fifth-largest gas supplier in the world. Repsol said further testing was required to confirm the extent of the natural gas find, which would be the energy company's largest. Repsol's President Antonio Brufau prominently accompanied Chavez throughout his visit to Spain. During an informal interview with El Pais, Chavez asked Brufau, "What are we going to do with so much gas?" Repsol and Italian company ENI have invested 50% of the exploration costs, and each stands to earn 32.5% of the proceeds from the find. (El Pais, 9/11; Repsol Press Release)

Industry Minister Blasts Opel Deal

2.(U) After a meeting in Berlin, Ministry of Industry, Tourism, and Trade Miguel Sebastian criticized GM's decision to sell a controlling stake in Opel to the Canadian/Russian consortium led by Magna (ref B). The GOS is unhappy with Magna's announcement of planned layoffs, which include 1,642 of the 7,500 workers at the Opel plant in Figueruelas near Zaragoza. While decrying the lack of transparency surrounding the transaction and the fact that the GOS still had not been apprised of the details of the deal and the company's plans for its Spanish operation, Sebastian complained that "the more we know about the Magna choice, the less we like it." Labor union leaders, after meeting with

Sebastian and representatives of the Aragon regional government, announced a series of demonstrations against the deal to begin September 19 in Zaragoza. (All Media, 9/16-17)

Internet Piracy Blamed for Music Sales Decline

3.(U) The Music Producers of Spain association Promusicae released a study showing that music sales fell 30.5% in the first six months of 2009 compared to the same period in 2008. According to the industry group, sales declined in each of the eight previous years for a cumulative revenue loss of 64%. While an impressive 68% increase in legal music downloads this year is seen as an encouraging trend, it is from such a small base that it is still dwarfed by the sharp decline in CD and DVD sales. Promusicae has had to lower its sales thresholds for awarding gold and platinum records to reflect the new reality. The group's president, Antonio Guisasola, blamed unchecked Internet piracy for the trend, noting that while other EU countries had taken measures to prevent the Internet from being ruled by "the law of the wild west," Promusicae had spent the past six years warning the government about digital piracy and witnessing "the systematic and unpunished destruction of the entire system of cultural creation in our country." (El Pais, 9/17)

Judge Temporarily Shuts Down Alleged Pirate Website

4.(U) In a possibly unprecedented act, an investigating judge in Malaga has ordered the provisional closure of website mundofutboll.com, which has been accused by cable TV company Sogecable of violating its intellectual property rights by uploading the signals of two of Sogecable's subsidiaries and broadcasting soccer games via streaming. Mundofutboll.com allegedly profited from the pirate broadcasts by selling advertising on its site. The judge ruled that the risk that

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the website would continue to violate the cable channels' rights justified a temporary shutdown while the court investigates further. Comment: While Spanish law provides for blocking or shutting down websites with a judicial order, it is exceedingly rare for Spanish judges to issue such orders in IPR cases. While Internet piracy of movies, music, and video games in Spain gets most of the attention, cable signal piracy is also gaining some prominence due in part to Sogecable's strategy of aggressively denouncing such activity. End Comment. (El Pais, 9/17)

Balearics Government Proposes Cumbersome New Business Rules

5.(U) The Government of the Balearic Islands (one of Spain's 17 autonomous communities) has proposed a draft law that would make it more difficult to open new small businesses and to expand existing ones. The President of the Balearics (which comprise Mallorca, Menorca, Ibiza, and several smaller islands), Francesc Antich, views the EU Directive on Services as a threat to the Mediterranean business model.⁸ In contrast to deregulation efforts proposed by Spanish Minister of Industry Miguel Sebastian to stimulate competition, the proposed Balearic law would impose new regulations limiting the size of stores and would require start-ups to provide copious paperwork and run a bureaucratic obstacle course to obtain permits and licenses from municipal and autonomous community governments. Comment: The Balearic draft law is illustrative of the kind of disputes that arise in the economic sphere between Spain's central government and the autonomous communities. In the interest of protecting existing companies, the community government is attempting to buck the EU-backed trend of making it easier to do business. End Comment. (Expansion, 9/16)

GOS Urges Electric Companies to Keep Buying Spanish Coal

6.(U) The Ministry of Industry, Tourism and Commerce met with electric company officials to urge them to continue purchasing Spanish coal. Declining electricity demand

because of the recession, displacement by renewables, the low quality of nationally produced coal, and rising costs -- from 70 to 220 dollars per ton over the last year -- are threatening Spain's traditionally important coal industry. The sector currently employs around 4,000 workers, and the GOS is concerned about labor unrest as unemployment approaches 20%. Through September 15 of this year, electricity production using coal decreased by 19% from the 2008 level, on top of a nearly 40% drop in 2008. Between January and August 2009, renewables had risen to 26% of the electricity mix compared to 16% for coal. Before the summer holidays, the GOS had proposed a plan to buy excess capacity and companies have considerable stockpiles -- up to 18 months' worth for Endesa -- they have decided to stop buying. They considered the Ministry's demand to continue purchasing coal inconsistent with the current energy situation and the government's emphatic support of renewables. (Expansion, 9/15, 9/18; Europa Press, 9/17)

Spain and France Move Forward with Gas Interconnection Project

7.(U) The National Energy Commission (CNE) began an open season to allocate capacity from a planned increase in gas interconnection with France. The neighboring countries aim to enable the flow of up to 7 billion cubic meters (bcm) of gas per year in both directions by 2013. This would mark an increase in capacity of 4,400% for Spain (which currently has negligible exports to France) and 125% for France (currently 3bcm). The plan calls for infrastructure investments of over 3.3 billion euros (1.8 from France and 1.3 from Spain) and would augment the existing connection points at Larrau and Biriattou in the Basque region. The CNE has already received considerable interest from shippers, despite the economic crisis. A second phase of the project calls for an additional 7 bcm of capacity to be on line by 2015 via a new point in the Catalan region. The plan is part of an initiative of the European Group of Gas and Electricity Regulators (Ergeg) to form a single energy market in Europe. (Finanzas.com, 9/16; Cinco Dias, 9/18)

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Spain is Sixth-Largest Recipient of FDI Worldwide

8.(U) According to UNCTAD's World Investment Report 2009, Spain received \$65.5 billion in foreign direct investment (FDI) in 2008, placing it 6th in the world and 3rd in the European Union. FDI in Spain rose by 2% despite a 14% worldwide contraction in investment flows and significant declines in France and the UK. Two large transactions -- the purchase of Altadis by Imperial Tobacco and Enel's initial investment in Endesa -- contributed to the increase. Almost half the new investment was in the commercial sector, with energy (including renewables) also showing impressive gains. The report also showed Spain as the world's eighth largest foreign investor in 2008. (Moncloa Press Release, 9/18)
CHACON